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August 25, 2003 Date	 David L. Parker

PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Reexamination of:

Leon, et al., US Patent 6,052,673

Reexam Serial No.: 90/005,842

Filed: October 6, 2000

For: INVESTMENT MANAGEMENT

Group Art Unit: 3624

Examiner: G. Akers

Atty. Dkt. No.: TTHC:002/DLP

REPLY BRIEF

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Appellants hereby file this reply to address matters raised by the Examiner in the Examiner's Answer dated June 26, 2003 and to provide an overview of the arguments on appeal. Appellants will address these matters generally in the order raised by the Examiner in the Answer. For the convenience of the Board, Appellants have provided headers hereinbelow to delineate the particular issues.

Grouping of Claims

In Appellants' Brief on Appeal, it was noted that Appellants intended that the claims not stand or fall together. Opening Brief at 5. Indeed, as required by the rules, Appellants provided separate argument for independent claim 1 (including claims 2-8) at pages 10-18; claims 4 and 5 were argued at page 18; claim 7 at pages 18-19. Claims 9-21 were addressed generally at pages 19-21, with specific arguments with respect to claim 10 at page 21, claims 12-13 at page 22, and claims 22-24 at pages 22-23. Lastly, claims 15 and 25-28 were separately argued at pages 23-24.

The Examiner apparently refused to consider the separate patentability of dependent claims, stating simply that the statement in the brief that certain claims do not stand or fall together "is not agreed with because claims 2-8 stand or fall with claim 1 due to dependency." Answer at 2. A similar statement was made by the Examiner with respect to other dependent claims. *Id.* In the "Response to Arguments" section of the Answer the Examiner failed to address individualized arguments with respect to dependent claims 4, 5 and 7, stating merely "[n]ext, Claims 2-8 stand or fall with claim 1." Answer at 24. Similarly, with respect to other dependent claims, the Examiner again stated simply "[f]inally, claims 25-28 sand and fall with claims 1-8, 9-21 and 22-24." Answer at 25. This latter statement is particularly curious in that claims 1, 9 22 and 25 are all independent claims, and yet the Examiner is apparently somehow

taking the position that independent claim 25 (and claims 26-28 depending from claim 25) stand or fall with any or all of the other unrelated independent claims.

In failing to consider the separate patentability of the separately-argued dependent claims, the Examiner has failed to satisfy his burden of presenting substantial evidence of unpatentability.

The Written Description Rejections

With regard to the written description rejection, it has recently come to Appellants' attention that the scope of reexamination does not permit the Examiner to raise issues beyond validity over the prior art. See 37 C.F.R. §1.552(a). Indeed, inquiries into issues of §112 are only permitted with respect to claims that are newly added during the reexamination. *Id.* This is clearly not applicable here. Accordingly, the Examiner's statements regarding written description must be disregarded. Appellants apologize for not having earlier brought this matter to the attention of the Examiner and the Board.

In any event, if the Board is nevertheless of the opinion that the written description issue has been properly raised, Appellants believed that the issues surrounding the written description rejections of claims 2, 17 and 27 have been adequately briefed in Appellants' opening brief. We do, however, disagree with the Examiner's definition of "loan account," noting that the Examiner has failed to make of record of source of the "definition" of loan account relied upon by the Examiner. We would propose that a more appropriate definition of loan account is an account in which is maintained "money lent at an interest." See Webster's Ninth Collegiate Dictionary, Exhibit F. This definition more clearly demonstrates the close relationship between a loan account and a deposit account, and supports the Appellants position that these accounts are dealt with in the patent specification interchangeably and whether something is a loan account or a

deposit account depends merely on ones vantage point: "money lent at an interest" by a bank might be considered a loan account to the bank, but "money lent at an interest" to secure a CD might be considered a loan account by the person purchasing the CD, and so on.

Meaning of "responsive to a rate of inflation," "as a function of a rate of inflation" and "based on a rate of inflation"

Resolution of the present appeal with respect to the broadest, independent claims, turns in large part on the meaning of the phrases "responsive to a rate of inflation," "as a function of a rate of inflation," and "based on a rate of inflation." It is clear from the Answer that the Examiner's position regarding obviousness is based on his broad reading of the claims as covering *any* functional relationship between past inflation and the amount of account adjustment. Answer at 23. He points out that the "features upon which Applicant relies (continuous function) are not recited in the rejected claims." *Id.* (The "continuous function" referred to by the Examiner is what Appellants characterize as a "one-to-one" correlation between inflation and the amount of adjustment.) In the companion reexamination, 90/005,841, the same Examiner conceded that the primary reference, Mukherjee *et al.*, does not teach a one-to-one correlation ("[e]ven though MUKHRERJEE et al. [sic] employs a different function ...", Answer in '951 at 25). Thus, if the "responsive to a rate of inflation" phrases are limited to a one-to-one inflation adjustment, then no *prima facie* case of obviousness has been made. We submit, for the reasons set forth in the opening brief and as expanded upon below, that the PTO is *bound* to consider the claims as limited to a one-to-one correlation, thus clearly distinguishing the claims from the system described by Mukherjee *et al.*

In Appellants' opening brief, Appellants presented evidence and argument as to the meaning of the phrase "responsive to a rate of inflation," found in claims 1-8, and the related phrases employed in the remaining claims. Evidence was presented that the "responsive to a rate

of inflation” phrase was specifically defined in the specification to mean “directly responsive” and that the Examiner was required, under *In re Zletz*, 13 USPQ2d 1320 (Fed. Cir. 1989), to adhere to this definition. It was Appellants position that the phrase “directly responsive” requires a one-to-one correlation between the particular indicator of inflation and the amount that the account in question was adjusted for inflation, and that Mukherjee did not meet this limitation for reasons reviewed extensively in the opening brief.

Moreover, Appellants presented evidence that the United States District Court for the Western District, in the case of *Trans Texas Holdings Corp. v. Pacific Investment Management Company*, Civ. Act. No. A99CA658SS, had construed the phrases “responsive to a rate of inflation” and “as a function of the rate of inflation,” found in current claims 1-8, to mean “directly responsive” to prior actual inflation. Exhibit D at 11-12, 15-16. Furthermore, it found the phrase “based on a rate of inflation,” found in claims 9-28, requires the “rate of return to be directly related to the rate of inflation.” *Id.* at 12, 16. Furthermore, the District Court observed that “responsive to a rate of inflation ... clearly imparts a one-to-one correlation.” *Id.* at 12. A final judgment has been entered by the Western District of Texas in the *Trans Texas* case. Exhibit G.

In response, the Examiner simply stated – without support, without evidence and without reasoning – that Mukherjee meets the “directly responsive” limitation. Answer at 23. Such conclusory argument without meaningful response cannot be considered to meet the substantial evidence requirement.

Furthermore, the Examiner failed to in any way address the evidence of the District Court’s Markman determination. However, we submit that this Markman determination is binding on the present reexamination proceedings. See Exhibit H, *In re Freeman*, 30 F.3d 1459,

31 USPQ2d 1444 (Fed. Cir. 1994). *Freeman* was a reexamination case as well, where the patent claims had been previously construed by a district court. During the subsequent reexamination proceedings, the patentee attempted to argue that the claim construction was not binding on the reexamination proceedings. On appeal, the PTO Board of Appeals believed that the claim construction proffered by the district court was too narrow, but found that it was bound by the district court's determination. *Id.* at 1464. ("...[the Board] found itself 'constrained to accept the court's interpretation of the claim language...'"). Thus, the Federal Circuit found that the issue for determination in *Freeman* was "...whether the Board was bound by the interpretation of the reissue claim by the district court, as it held it was." *Id.* at 1465. The court, relying on principles of issue preclusion, concluded that the Board was correct in its determination that it was bound by district court's claim construction. *Id.*¹

Claims 1-8

Applying the above claim construction to claims 1-8, it is evident that Mukherjee does not render the subject matter of these claims obvious, for the reasons stated in the opening brief. The Examiner's response assumes a broader interpretation and does not address the narrower interpretation argued by the Patent Owner.

We would further point out that claims 1-8 require both a deposit account and a loan account, and that BOTH be directly responsive to a rate of inflation. The Examiner's Answer, while somewhat difficult to understand, apparently relies on two separate excerpts from

¹ The Court of Appeals for the Federal Circuit has very recently followed the *Freeman* decision in an unpublished decision involving the failure of a patentee in reexamination to bring an earlier Markman determination of the claims at issue to the reexamination examiner's attention. See Exhibit I, *Marlow Industries, Inc. v. Igloo Products Corp.*, 2003 U.S. App. LEXIS 10407 (Fed. Cir. 2003). Notably, the *Marlow* court characterized *Freeman* as holding "that the Board was bound by the district court's prior interpretation" of patent claims under the doctrine of issue preclusion. While *Marlow* is not citable as precedent, it nevertheless is illustrative of the Federal Circuit's willingness to follow *Freeman*.

Mukherjee, one at page 50, paragraph 3, and one at page 68, top two paragraphs, in support of its contention that both the loan account and deposit account elements are met.

With respect to the page 50 excerpt, we refer the Board to our argument in the opening brief at pages 12-14, where we explain how these particular loan accounts are in no way directly responsive to inflation as required by the claims. With respect to the page 68 excerpt, we would point out both that there are two types of loan accounts referred to in this paragraph, those from the "Post Office Bank" and those from "all other banks." With respect to the Post Office Bank loans, those are clearly not directly responsive to inflation—there is no one-to-one correlation—because they were only tied "25 per cent to the cost-of-living index." Similarly, with respect to the "all other banks," these also are not directly responsive to inflation in that the bank simply applied an index surcharge to loan accounts that reflected the percentage of that banks deposit accounts that were indexed. Thus, where the bank had one-fifth of its deposits in indexed accounts there was an index surcharge of one-fifth the rate of inflation on all of its loans – again, no one-to-one correlation between inflation and adjustment of any one loan account.

As for the relevance of Musmanno, the Examiner again fails to explain how the account management software of Musmanno is in any way relevant to the subject matter of the present claims. Simply stating, in a conclusory fashion, that Musmanno is relevant does not make it so. The Patent Owner had argued in the opening brief that Musmanno failed to teach software applicable to the management and indexed-adjustment of indexed accounts, that instead, Musmanno was concerned with a different type of account, the so-called Cash Management Account.

In response to this argument, the Examiner comes forward with two arguments, first, that mere automation does not lend patentability where it achieves the same result, citing *In re*

Fenner, 262 F.2d 91, 95 (CCPA 1958) [sic, *In re Venner*] and, second, that the present claims are not limited to the particular software taught in the specification. Answer at 5, 23.

Regarding the “mere automation” argument, we submit that the Answer misses the point. If in fact all that had been done was a computer automation of the *precise* indexed accounts described by Mukherjee, then we would agree that that in itself would not be patentable. However, here it is the automation that permits and enables the presently claimed systems that are clearly different from the Mukherjee prior art systems, and that have the particular advantage of being directly responsive to inflation. The *Venner* case is distinguishable – unlike the situation here, that case involved an automation of the precise system found in the prior art.

Similarly, in response to the Examiner’s added argument that the present claims are not limited to the precise software taught in the specification, we would agree that the claims are not so limited. However, we would point out that each of the four software embodiments described in the patent specification *do* provide a specific teaching of how to manage accounts that are “directly responsive,” *etc.*, to a rate of inflation and, for reasons discussed above, this is an element of all of the claims. Notably, Musmanno provides no relevant teaching on this point.

Claims 4 and 5

We would again point out that there has not been shown a loan accrual component that is directly adjusted according to inflation as required by the Western District’s Markman ruling.

Claim 7

The Answer implicitly recognizes that due to the “no withdrawal for one year” feature of the Mukherjee accounts, they are not “payable on demand” as required by claim 7. Yet, the Answer invites the Board to find, without providing any substantial evidence, that “on demand” features are “notoriously well known.” Answer at 8. Alternatively, the Answer suggests—

without any supporting teaching in the art—that it would have been obvious for a financial institution to simply drop the one-year hold requirement of Mukherjee “in order to attract depositors.” Answer at 24.

The Patent Owner declines to concede in any fashion that “on demand” features are notoriously well known, or even known at all, with respect to the indexed accounts of the claims, and is also unwilling to in any way concede—without some showing in the prior art—that a financial institution be motivated to simply drop the one-year wait requirement of Mukherjee. If the Examiner had personal knowledge that he was relying on, this should have been made of record by affidavit as required by 37 C.F.R. §1.104(d)(2).

Claims 9-21

With respect to claims 9-21 generally, the Patent Owner believes that the foregoing comments are equally applicable.

Claim 10

Claim 10 requires periodic accounting for at least a portion of the rate of return of the financial instrument to the allocated funds. The Answer responds with what appears to be an inherency argument – that there must have been periodic accounting in order to satisfy bank regulators. The Patent Owner will not concede that the Answer’s position is correct – it may well have been that accounts holders received information about their accounts “on demand” only when they requested the information, and it may well have been that they were not periodically notified by the financial institution. In any event, there is no substantial evidence to support a rejection of the additional subject matter of dependent claim 10.

Claims 12 and 13

The Patent Owner will refer the Board to the argument with respect to these claims found in the opening brief at page 22. It does not appear as though the Answer provides a response to the arguments set forth in the opening brief with respect to claims 12 and 13.

Claims 22-24

The Patent Owner will incorporate by reference the arguments made above as equally applicable to the subject matter of claims 22-24. Furthermore, we refer the Board to the argument with respect to claims 22-24 found in the opening brief at page 22-23. We have been unable to identify any response in the Answer to the arguments found in our opening brief.

Claims 15 and 25-28

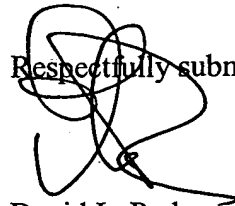
With respect to claims 15 and 25-28, the Patent Owner will rely on the arguments contained in the opening brief at pages 23-24, as well as the above comments, which are incorporated by reference here. The Answer apparently declines to respond to the particular arguments contained in our opening brief, opting instead to take the erroneous position that "claims 25-28 stand and fall with claims 1-8, 9-21 and 22-24." Answer at 25.

Conclusion

In light of the Patent Owner's opening brief and the foregoing comments and observations, the Board is respectfully requested to overrule the Examiner's rejections of the claims on the basis that there is no substantial supporting evidence.

Please date stamp and return the enclosed postcard to evidence receipt of this document.

Respectfully submitted,



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APPENDIX 2 (cont.)

EXHIBITS

Exhibit F – Dictionary definition of “loan.”

Exhibit G – Final Judgment in *Trans Texas Holdings Corp. v. Pacific Investment Management Company*, Civ. Act. No. A99CA658SS.

Exhibit H – *In re Freeman*, 30 F.3d 1459, 31 USPQ2d 1444 (Fed. Cir. 1994)

Exhibit I – *Marlow Industries, Inc. v. Igloo Products Corp.*, 2003 U.S. App. LEXIS 10407 (Fed. Cir. 2003)



R'S Ninth New Collegiate Dictionary

A Merriam-Webster®

MERRIAM-WEBSTER, INC., Publishers
Springfield, Massachusetts, U.S.A.

a family (Cobitidae) of small Old World freshwater fishes related to the carps

load \lōd\ *n* [ME *lod*, fr. OE *lād* support, carrying — more at **LODE**] (13c) 1 *a*: whatever is put on a person or pack animal to be carried : **PACK** *b*: whatever is put in a ship or vehicle or airplane for conveyance : **CARGO** *esp*: a quantity of material assembled or packed as a shipping unit *c*: the quantity that can be carried at one time by a specified means : *esp*: a measured quantity of a commodity fixed for each type of carrier — often used in combination (a boatload of tourists) 2 *a*: a mass or weight supported by something (branches bent low by their ~ of fruit) *b*: the forces to which a structure is subjected due to superposed weight or to wind pressure on the vertical surfaces 3 *a*: something that weighs down the mind or spirits (took a ~ off her mind) *b*: a burdensome or laborious responsibility (always carried his share of the ~) 4 *slang*: an intoxicating amount of liquor drunk 5: a large quantity : **LOT** — usu. used in pl. 6 *a*: a charge for a firearm *b*: the quantity of material loaded into a device at one time 7: external resistance overcome by a machine or prime mover 8 *a*: power output (as of a power plant) or power consumption (as of a device) *b*: a device to which power is delivered 9 *a*: (1) the amount of work that a person carries or is expected to carry (2) the department, or a factory *b*: the demand on the operating resources of a system (as a telephone exchange or a refrigerating apparatus) 10 added (as to the price of a security or the net premium in insurance) to represent selling expense and profit to the distributor 11: an amount representing capacity for survival of the average individual in a population due to the presence of deleterious genes in the gene pool (the mutational ~ is the genetic ~ caused by mutation)

load *vt* (15c) 1 *a*: to put a load in or on (~ a truck) *b*: to place in or on a means of conveyance (~ freight) 2 *a*: to encumber or oppress with something heavy, laborious, or disheartening : **BURDEN** (a team ~ed down with debts) *b*: to place as a burden or obligation (~ more work on him) 3 *a*: to increase the weight of by adding something heavy *b*: to add a conditioning substance (as a mineral salt) to for body *c*: to add filler to (paper) *d*: to weight or shape (dice) to fall unfairly *e*: to pack with one-sided or prejudicial influences : **BIAS** *f*: to charge with multiple meanings (as emotional associations or hidden implications) *g*: to weight (as a test) with factors influencing validity or outcome 4 *a*: to supply in abundance or excess : **HEAP**, **PACK** *b*: to put runners on (first, second, and third of equipment) (~ a gun) *c*: to place or insert as a load in a device or piece of equipment (~ film in a camera) 6: to alter (as an alcoholic insurance premium) *b*: to add a sum to after profits and expenses are accounted for (~ed prices) ~ *vi* 1: to receive a load 2: to put a load on or in a carrier, device, or container : *esp*: to insert the charge or cartridge in the chamber of a firearm 3: to go or go in as a load (~ sightseers ~ing onto a bus) — **load** *er* *n*

loaded *adj* (ca. 1884) 1 *slang*: **DRUNK** 2: having a large amount of money

load factor *n* (1943): the percentage of available seats paid for and occupied in an aircraft

load-in *n* (15c) 1: a cargo, weight, or stress placed on something 2: **LOAD** 3: material used to load something : **FILLER**

load line *n* (ca. 1864): the line on a ship indicating the depth to which it sinks in the water when properly loaded — see **PLIMSOLL MARK** illustration

load-master \lōd-mas-tər\ *n* (1961): a crew member of a transport aircraft who is in charge of the cargo

load-star *var* of **LODESTAR**

loaf \lōf\ *n*, *pl* loaves \lōvz\ [ME *lof*, fr. OE *hlāf*; akin to OHG *hleib* loaf] (bef. 12c) 1: a shaped or molded mass of bread 2: a shaped or molded often symmetrical mass of food

loaf *vi* [prob. back-formation fr. *loafer*] (1835): to spend time in idleness

loaf-er \lōf-ər\ *n* [perh. short for *landloafer*, fr. G *landläufer* tramp, fr. *land* + *läufer* runner] (1830): one that loafs : **IDLER**

loafer trademark — used for a low step-in shoe

loam \lōm\, chiefly Northern & Midland *lūm*, *neNewEng* \lūm\ *n* [ME *lōm*, fr. OE *lām*; akin to OE *līm* lime] (bef. 12c) 1 *a*: a mixture (as for plastering) composed chiefly of moistened clay *b*: a coarse mold-mixture used in founding 2: *soil*; *specif*: a soil consisting of a friable mixture of varying proportions of clay, silt, and sand — **loamy** \lō-mē, \lū-, \lūm-ē\ *adj*

loan \lōn\ *n* [ME *lon*, fr. ON *lān*; akin to OE *lēn* loan, *lēn* to lend, L *linguere* to leave, Gk *leipein*] (bef. 12c) 1 *a*: money lent at interest *b*: something lent usu. for the borrower's temporary use 2 *a*: the grant of temporary use *b*: the temporary duty of a person transferred to another job for a limited time 3: **LOANWORD**

loan *vi* (13c) : **LEND** — **loan-able** \lō-nə-bəl\ *adj*

usage Most recent commentators accept the use of *loan* as a verb as standard. It has been in use at least since the time of Henry VIII but became widely used first in the U.S. About 100 years ago a prominent American critic denounced the use, apparently basing his objections on a misunderstanding of Old English. Even though they are based on a mistake, these same objections may still be heard today

lo and behold *interj* (1808) — used to express wonder or surprise

loan-er \lō-nər\ *n* (1926) : one (as a car or a watch) that is lent esp. as a replacement for something being repaired

loan-ing \lō-nīŋ\ *n* [ME *loning*, fr. *lone*, alter. of *lane*] (14c) 1 *dial* *Brit* : **LANE** 2 *dial* *Brit* : a milking yard

loan shark *n* (1905): one who lends money to individuals at exorbitant rates of interest

loan-shark-ing \-shārk-kiŋ\ *n* (1914): the practice of lending money at exorbitant rates of interest

loan translation *n* (ca. 1933): a compound, derivative, or phrase that is introduced into a language through translation of the constituents of a term in another language (as *superman* from German *Übermensch*)

loan-word \lōn-'wɔrd\ *n* (1874): a word taken from another language and at least partly naturalized

loath \lōth, \lōth\ also **loathe** \lōth, \lōth\ *adj* [ME *loth* loathsome, OE *lāth*; akin to OHG *leid* loathsome, OIr *liuss* aversion] (bef. 12c) 1: unwilling to do something contrary to one's ways of thinking

loath \lōth\ *vi* **loathed**; **loathing** [ME *lothen*, fr. OE *lāthan*, fr. *lāth* to dislike] (bef. 12c) : to dislike greatly and often with disgust or intolerance : **DETEST** *syn* see **HATE** — **loath-er** *n*

loath-ing \lō-'thiŋ\ *n* (14c): extreme disgust : **DETESTATION**

loath-ly \lōth-lē, \lōth-lē\ *adj* (bef. 12c) : **LOATHSOME**, **REPULSIVE**

loath-ly \lōth-lē, \lōth-lē\ *adv* (15c) : not willingly : **RELUCTANTLY**

loath-some \lōth-səm, \lōth-səm\ *adj* [ME *lothsum*, fr. *loth* evil, fr. OE *lāth*, *adj*.] (15c) : giving rise to loathing : **DISGUSTING** — **loath-some-ly** *adv* — **loath-some-ness** *n*

lob \lɒb\ *n* [prob. of LG origin; akin to LG *lubbe* coarse person] (14c) : a dull heavy person : **LOUT**

lob *vb* **lobbed**; **lob-bing** [lob (a loosely hanging object)] *vt* (1599) : let hang heavily : **DROOP** 2: to throw, hit, or propel easily or in an arc ~ *vi* 1 *a*: to move slowly and heavily *b*: to move in an arc : to hit a tennis ball easily in a high arc

lob *n* (1890) : a soft high-arching shot, throw, or kick

lob-or *comb* form [*lobe*] : **lobe** (*lobar*) (*lobotomy*)

lo-bar \lɒ-bar, -bār\ *adj* (1856): of or relating to a lobe

lo-bate \lɒ-bāt\ also **lo-bat-ed** \-bāt-əd\ *adj* [NL *lobatus*, fr. L *lobus*] (ca. 1760) 1: **LOBED** 2: resembling a lobe — **lo-ba-tion** \lɒ-'bā-shən\ *n*

lob-by \lɒb-ē\ *n*, *pl* lobbies [ML *lobium* gallery, of Gmc origin, OHG *loba* porch — more at **LODGE**] (1593) 1: a corridor connected with a larger room or series of rooms and used as a passageway or waiting room : *as* *a*: an anteroom of a legislative chamber : one of two anterooms of a British parliamentary chamber, to which members go to vote during a division *b*: a large hall serving as a foyer (as of a hotel or theater) 2: a group of persons engaged in lobbying esp. as representatives of a particular interest group

lobby *vb* **lobbied**; **lob-by-ing** *vi* (1837) : to conduct activities aimed at influencing public officials and esp. members of a legislative body (as legislation) by influencing public officials 2: to attempt to influence or sway (as a public official) toward a desired action — **lob-by-ism** \lɒb-'jɪ-zəm\ *n* — **lob-by-ist** \lɒb-'jɪst\ *n*

lob-by-gow \lɒb-'gəʊ\ *n* [origin unknown] (1906) : an errand boy

lobe \lɒb\ *n* [ME, fr. LL *lobus*, fr. Gk *lobos*] (1525) : a rounded projection or division; *specif*: a usu. somewhat rounded projection or division of a bodily organ or part

lo-bee-to-my \lɒ-'bek-tə-mē\ *n*, *pl* -mies [ISV] (ca. 1911) : surgical removal of a lobe of an organ (as a lung) or gland (as the thyroid)

lobed \lɒbd\ *adj* (1787) : having lobes (palmately ~ leaves)

lobe-fin \lɒb-'fɪn\ *n* (1941) : **CROSSOPTERYGIAN** — **lobe-finned** *adj*

lo-be-lia \lɒ-'bē-lə, -bē-lē-ə\ *n* [NL, fr. Matthias de Lobel (1616) botanist] (1739) 1: any of a genus (*Lobelia*) of the family *Lobeliaceae* (family) of widely distributed herbaceous plants cultivated for their terminal clusters of showy tipped flowers 2: the leaves of Indian tobacco

lo-beline \lɒ-'bē-lēn\ *n* [NL *Lobelia* + E *-ine*] (1844) : a cyan alkaloid $C_{22}H_{27}NO_2$ that is obtained from Indian tobacco and used chiefly as a respiratory stimulant and as a smoking deterrent

lob-lob-ly \lɒb-'lɒl-ē\ *n*, *pl* -lies [prob. fr. E *lob* (to boil)] (1597) 1 *dial* : **LOUT**

lob-lob *adj* (1597) 1 *dial* : a thick gruel 2 *dial* : **LOUT**

lob-lob *n* (1760) : a pine (*Pinus taeda*) of the southern U.S. with flaky bark, long needles in groups of three, and spiny tipped cones : its coarse-grained wood

lo-bo \lɒ-'bɒ\ *n*, *pl* lobos [Sp. wolf, fr. L *lupus* — more at **WOLF**] : **TIMBER WOLF** — called also **lobo** *wolf*

lo-bot-o-mize \lɒ-'bɒt-ə-'mɪz\ *vi* -mized; -mizing (1943) 1: to remove the frontal lobes of the brain of 2: to deprive of sensitivity, vitality, energy

lo-bot-o-my \lɒ-'bɒt-ə-'mē\ *n*, *pl* -mies [ISV] (1936) : severance of fibers (as of the frontal lobes) by incision into the brain for the treatment of some mental disorders and tensions

lob-scouse \lɒb-'skaʊs\ *n* [origin unknown] (1706) : a sailor's stewed or baked meat with vegetables and hardtack

lob-ster \lɒb-'stɜr\ *n* [ME, fr. OE *loppestre*, fr. *loppe* spider] (bef. 12c) : any of a family (Homaridae) and esp. genus *Homarus* of large marine decapod crustaceans that have stalked eyes, a pair of claws, and a long abdomen and that include species from both sides of the No. Atlantic and from the Cape of Good Hope : **SPINY LOBSTER**

lob-ster-man \lɒb-'stɜr-mən\ *n* (1881) : one whose business is catching lobsters

lobster pot *n* (1764) : an oblong case with slat sides and a funnel-shaped net used as a trap for catching lobsters — called also **lobster**

lobster shift *n* (ca. 1933) : a work shift (as on a newspaper) that runs the late evening and early morning hours — called also **lobster**

lobster ther-mi-dor \lɒb-'stɜr-mə-'dɔr\ *n* [thermidor, fr. F. 18th drama] (1891) by Victorien Sardou (ca. 1930) : cooked lobster with a rich wine sauce stuffed into a lobster shell and browned

lob-u-lar \lɒb-'yɒ-lər\ *adj* (1822) : of, relating to, or resembling a lobe

lob-u-lat-ed \lɒb-'yɒ-lāt-əd\ also **lob-u-late** \-lāt\ *adj* (1862) : of or provided with lobules (the pancreas is a ~ organ)

lob-u-lar \lɒb-'yɒ-lər\ *n*

lob-u-le \lɒb-'jyulə\ *n* (1682) : a small lobe; also : a sublobe

lo-cal \lɒ-'kəl\ *adj* [ME *localle*, fr. MF *local*, fr. LL *localis* place — more at **STALL**] (15c) 1: characterized by or relating to a place : having a definite spatial form or location

relating to a particular place : characteristic of a particular general or widespread 3 *a*: primarily serving the needs of a limited district *b*: of a public conveyance : making all the route 4: involving or affecting only a restricted part of the route 5: of or relating to telephone communication

in a particular area — **lo-cal-ly** \lɒ-'kəl-ē\ *adv*

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

FILED

JAN - 8 2000

U.S. DISTRICT COURT
CLERK'S OFFICE
DEPUTY

TRANS TEXAS HOLDINGS
CORPORATION,

Plaintiff,

v.

PACIFIC INVESTMENT MANAGEMENT
COMPANY,

Defendant.

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Civil Action No. A99CA 658 SS

ORDER OF DISMISSAL WITH PREJUDICE

Having been advised that this matter has been settled and compromised by the parties, the Court hereby GRANTS the Agreed Motion for Dismissal With Prejudice.

IT IS THEREFORE ORDERED and ADJUDGED that this case and all claims herein are DISMISSED WITH PREJUDICE. Costs are hereby taxed against the party incurring them.

Signed this 6th day of January, 2000.

Bennett
UNITED STATES DISTRICT JUDGE

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ORIGINAL

LEXSEE 30 F3D 1459

IN RE JERRE M. FREEMAN

93-1449

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

30 F.3d 1459; 1994 U.S. App. LEXIS 17024; 31 U.S.P.Q.2D (BNA) 1444

July 12, 1994, Decided

PRIOR HISTORY: [**1] Appealed from: U.S. Patent and Trademark Office. Board of Patent Appeals and Interferences. Serial No. 90/001,235

DISPOSITION: AFFIRMED.

LexisNexis (TM) HEADNOTES - Core Concepts:

COUNSEL: Bradfor E. Kile, Baker & McKenzie, of Washington, D.C., argued for appellant. With him on the brief were Ruffin B. Cordell and Stuart M. Weitz.

Murriel E. Crawford, Associate Solicitor, Commissioner of Patents and Trademarks, of Arlington, Virginia, argued for appellee. With her on the brief were Fred E. McKelvey, Solicitor and Lee E. Barrett, Associate Solicitor.

JUDGES: Before RICH, PLAGER, and SCHALL, Circuit Judges.

OPINIONBY: RICH

OPINION: [*1461] RICH, Circuit Judge.

Dr. Jerre M. Freeman appeals from the March 22, 1993 decision of the Board of Patent Appeals and Interferences (Board) of the United States Patent and Trademark Office (PTO) sustaining the Examiner's rejection of claims 10-21 of Reexamination No. 90/001,235 (the '235 application) n1 under 35 U.S.C. § 305 as impermissibly broadening the scope of the claims in a reexamination proceeding. n2 We affirm.

n1 Reexamination No. 90/001,235, filed on May 8, 1987, is a reexamination of Reissue

Patent No. 31,640 issued on August 7, 1984 from application Serial No. 44,032 filed on May 31, 1979, which is a reissue of U.S. Patent No. 4,077,071 issued on March 7, 1978 from application Serial No. 666,651 filed on March 15, 1976. [**2]

n2 The rejections under 35 U.S.C. § § 102(b), 103, and 112, first paragraph, addressed in the Board's opinion, are not at issue in this appeal.

I. BACKGROUND

A. The Invention

Claims 10-21 of the '235 application are directed to an intraocular lens device (IOL) implanted into a human eye after the eye's natural lens affected with cataract has been surgically removed. The implanted device consists of an artificial lens and attached posts or threads, called haptics, used to attach the lens to the eye and hold the lens in place. Of the claims at issue, claims 10, 14, 15, 19, 20, and 21 are independent. Claim 10 is representative and recites:

10. An intraocular lens device for implantation into a human eye, said lens device comprising:

an optical lens suitable for replacing a human crystalline lens, said optical lens having a mean density greater than the density of the aqueous humor of the human eye; and

support means comprising a loop member attached to said lens at at least one end thereof and extending away from said optical lens posterior to the [**3] iris of a human eye for providing a plurality of support [*1462] points at least within the posterior chamber of the human eye to radially position the optical lens generally upon a central optical axis of an eye and to hold said optical lens in place when implanted into the human eye, said support means having a density less than the density of the aqueous humor of the eye for providing at least a degree of buoyant uplift force to said optical lens when said intraocular lens device is implanted into the human eye even though the overall intraocular lens device is neither neutrally buoyant or positively buoyant in the aqueous humor of a human eye. (underlining represents claim amendments in the '235 application).

B. Relevant History

Dr. Freeman's original Patent No. 4,077,071 (the '071 patent) issued with claims 1-9. His Reissue patent No. 31,640 (the reissue patent) issued with original claims 1-9 and new claims 10-22. On October 5, 1984, Dr. Freeman sued the Minnesota Mining and Manufacturing Company (3M) alleging infringement of certain claims of the reissue patent, including claims 10, 11, and 21 at issue here. On May 8, 1987, 3M filed a request for reexamination [**4] of the reissue patent which was granted by the PTO. However, the PTO sua sponte suspended the reexamination proceeding upon commencement of the infringement trial. n3

n3 The PTO is no longer authorized to stay reexamination proceedings based on pending civil infringement litigation. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 7 USPQ2d 1152 (Fed. Cir. 1988).

The trial court held that the asserted claims of the reissue patent were invalid and not infringed by 3M's IOLs. *Freeman v. Minnesota Mining and Mfg. Co.*, 693 F. Supp. 134, 9 USPQ2d 1111 (D. Del. 1988). In its discussion of infringement, the district court addressed the phrase "at least a degree of buoyant uplift" in claims 10, 11, and 21 of the reissue patent stating that "most of the trial involved interpreting this phrase and attempting to distinguish it from [other language] of Claim 1." *Freeman*, 693 F. Supp. at 142, 9 USPQ2d at 1119. [**5]

The district court also noted the different interpretations of this phrase advanced by the parties:

Freeman argues that the phrase means the result of adding any amount of buoyant support materials, thus reducing the density and weight of the device by any amount, even if the reduction is not to a state of neutral buoyancy. 3M, on the other hand, argues that an object with buoyant uplift must possess neutral or positive buoyancy. It further contends that the phrase "at least a degree of" means a small amount of buoyant uplift, rather than something that changes the definition of "buoyant uplift."

Id.

After discussing the specification, the prosecution history, and the testimony of the experts, the trial court concluded that "3M's interpretation is the correct meaning of the phrase. Thus, 'buoyant uplift' requires at least neutral buoyancy." Id. The district court stated that such an interpretation was supported by the specification and by the Examiner's belief that merely reducing the density of the IOL device did not necessarily produce the claimed buoyant uplift, as argued by Dr. Freeman. The court also opined that such an interpretation gave "meaning to the claims." [**6] *Freeman*, 693 F. Supp. at 144, 9 USPQ2d at 1121.

Based on this claim interpretation, the district court held that 3M did not infringe claims 10, 11, 21, or 22. Specifically, the district court stated:

None of the IOLs infringe any of the reissue claims, however, because none of them have support or buoyancy means that provide at least a degree of buoyant uplift to the lens. . . . If the Court were to construe these claims broadly, as Freeman desires, to cover any reduction in weight due to the addition of buoyancy means, then all of the IOLs would infringe Claims 21 and 22, and all but Style 70 would infringe Claims 10 and 11. . . . However, because the Court has found this construction to be improper, none of the IOLs infringe claims 10, 11, 21, or 22.

Freeman, 693 F. Supp. at 145, 9 USPQ2d at 1121-22.

Dr. Freeman appealed the judgment of the district court to this court and argued that the district court's above finding of noninfringement [*1463] was based on a misinterpretation of claims 10, 11, 21, and 22. Dr.

Freeman argued as he did in the district court that the phrase "at least a degree [**7] of buoyant uplift" is satisfied if the support means itself (as distinguished from the entire IOL device) is buoyant in the aqueous humor, thereby imparting a "degree of buoyant uplift" to the lens and making the implant lighter than the lens by even the smallest degree.

This court, on appeal, affirmed the district court's finding of noninfringement and held that the district court's interpretation of the claims was not erroneous and that the court's finding of no infringement was not clearly erroneous. The holding of invalidity was vacated. *Freeman v. Minnesota Mining & Mfg. Co.*, 13 USPQ2d 1250, 1252 (Fed. Cir. 1989) (non-precedential), reh'g denied, 1989 U.S. App. LEXIS 14,958 (Fed. Cir. Sept. 30, 1989), cert. denied, 494 U.S. 1070, 1071, 108 L. Ed. 2d 794, 110 S. Ct. 1794 (1990).

C. The Rejection

The reexamination, which as stated above was stayed upon commencement of trial in the district court, was resumed after conclusion of the appeal and the Examiner finally rejected claims 10-21 of the '235 application under 35 U.S.C. § 305 [**8] as impermissibly seeking to enlarge the scope of the claims as interpreted by the district court.

The Examiner's Answer stated that

the reissue claims [10-21] are considered to be limited to IOLS [sic] ("intraocular lenses") that possess either neutral buoyancy or positive buoyancy and would float in the aqueous humor whereas the amended claims [10-21] would also encompass IOLS [sic] which possess negative buoyancy and would sink in the aqueous humor thereby enlarging the scope of the claims. [Emphasis in original.]

In response to Dr. Freeman's argument that the reexamination claims were not broadened in scope and that any broadening of the patent claims occurred during reissue, as permitted by the reissue statute, the Examiner contended that

the reissue record indicates that the Examiner believed one does not produce "buoyant uplift" solely by reducing the density of an object, but would possess a "buoyant uplift" or "at least a degree of buoyant uplift" if the object had a density less than or equal to the density of a fluid and would tend to be weightless rather

than seek a position at the lowermost level in the fluid. Therefore, it obviously follows [**9] that the interpretation given by the Examiner is that the terms "buoyant uplift" or "at least a degree of buoyant uplift" covered lenses that possess either neutral or positive buoyancy and would float in the aqueous humor. In addition appellant did not contest this interpretation at the time of allowance and the District Court also agreed with this interpretation . . . Thus, the added limitations related to the buoyant uplift force to the optical lens including an IOL device which is neither neutrally buoyant or positively buoyant affectively [sic] covers lenses which also sink in the aqueous humor and would be broader than the original reissue claims which were interpreted by the Examiner and the District Court to cover only lenses which were weightless and would float in the aqueous humor. [Emphasis in original.]

Dr. Freeman appealed the Examiner's rejection to the Board. 35 U.S.C. § 306. 134.

D. The Board Decision

The Board affirmed the Examiner's rejection of claims 10-21 under 35 U.S.C. § 305 as impermissibly broadening the reexamination claims. However, the Board did not agree with [**10] the interpretation of reissue claims 10, 11, 21, and 22 by the district court and affirmed by this court. Specifically, the Board stated:

The claims (10-22) added during the reissue proceeding do not, . . . in our view, either explicitly or implicitly include or require the intraocular lens device (i.e., the optical lens and the support loops) to possess a neutral or positive buoyancy . . . The scope of the claims sought in the reissue always indicated the lens device was to have a degree of buoyancy which [*1464] was something less than that achieved by the situation wherein the overall mean density of the lens device was substantially that of the aqueous humor of the eye as recited in the original claims.

For this reason, the Board explained, "the phrase 'even though the overall intraocular lens device is neither neutrally buoyant or positively buoyant in the aqueous humor of the human eye' (claim 10) and similar language

[in the other independent claims at issue] should not be perceived as constituting an enlargement of the scope of these claims." (Emphasis in original.) The Board stated its disagreement with the interpretation of the claims by the district court and went so far [**11] as to say that "the District Court's finding and holding with respect to the limitation 'at least a degree of buoyant uplift' . . . is totally contrary to what the appellant always intended the limitations to denote."

In spite of its disagreement with the district court's interpretation of the claims, the Board, however, affirmed the Examiner's rejection under § 305 because it found itself to be "constrained to accept the court's interpretation of the claim language of the reissue claims 10-21." In accepting that interpretation, the Board stated that

it follows that the amendatory language now at issue which the appellant has added to these claims, seeking to reestablish the appellant's original intent as to the scope of the claims of the reissue and what they were intended to cover (i.e., something less than neutral buoyancy) is a broadening of the reissue claims and inappropriate at this time.

Dr. Freeman appealed the Board's decision to this court. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

II. DISCUSSION

A.

The Rejection Under 35 U.S.C. § 305

35 U.S.C. § 305, [**12] entitled "conduct of reexamination proceedings" sets forth in part that "no proposed amendment or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding." Whether amendments enlarge the scope of a claim is a matter of claim construction. Claim construction is a question of law which we review *de novo*. *In re Donaldson Co., Inc.*, 16 F.3d 1189, 29 USPQ2d 1845 (Fed. Cir. 1994) (in banc).

A claim is enlarged if it includes within its scope any subject matter that would not have infringed the original patent. *Ex parte Neuwirth*, 229 USPQ 71 (PTO Bd. Pat. App. & Int'f 1985) (addition of "substantially" to the word "rounded" in a claim constitutes a broadening of the claim in contravention of 35 U.S.C. § 305).

The test for when a new claim enlarges the scope of an original claim under § 305 is the same as that under the two-year limitation for reissue applications adding enlarging claims under 35 U.S.C. § 251, last paragraph.

Chisum, 11.07[4][d] n.25 (1993); *In re Yamamoto*, 740 F.2d 1569, 1572, 222 USPQ 934, 937 (Fed. Cir. 1984). [**13] In the reissue context this court has stated that

a claim of a reissue application is broader in scope than the original claims if it contains within its scope any conceivable apparatus or process which would not have infringed the original patent . . . A claim that is broader in any respect is considered to be broader than the original claims even though it may be narrower in other respects.

Tillotson Ltd. v. Walbro Corp., 831 F.2d 1033, 1037 n.2, 4 USPQ2d 1450, 1453 n.2 (Fed. Cir. 1987).

In essence, the Board held here that amendments during reexamination to the final clause of the independent reissue claims 10, 14, 15, 19, 20, and 21 broadened the scope of these claims in light of the interpretation of claims 10, 11, 20, and 21 by the district court and affirmed by this court. Dr. Freeman argues on appeal that the amendments to the independent claims do not broaden the scope of these claims because the additional claim language necessarily further limits the scope of the claims.

However, we cannot agree with Dr. Freeman that simply because he added words to his claims that those claims are further narrowed [**1465] in scope. The English [**14] language is not that simple. Rather, given the interpretation of the district court during the infringement litigation, it is clear that the amendments to the independent claims during reexamination attempt an end run around the interpretation there that the claims are limited to at least overall neutral buoyancy. As much was admitted by Dr. Freeman who stated during prosecution that the claims were amended to be consistent with his intent in reissuing the application, but with the benefit of knowing how the claims could be "misconstrued."

Specifically, independent claim 10 was amended to recite "even though the overall intraocular lens device is neither neutrally buoyant or positively buoyant in the aqueous of a human eye." Independent claims 14, 15, 20, and 21 were similarly amended. Independent claim 19 was amended to recite reducing "the overall mean density of the intraocular lens device from being negatively buoyant." Thus, the amended claims include within their scope a device with an overall negative buoyancy, something explicitly found by the district court to be outside of the scope of reissue claims 10, 11, and 21. n4 We accordingly agree with the Board that the amendments [**15] made during reexamination enlarge the scope of the reissue claims as interpreted by the district court. The issue therefore becomes whether the

Board was bound by the interpretation of the reissue claims by the district court, as it held it was.

n4 We note that independent claims 14, 15, and 19 were not specifically addressed by the district court. However, each of these claims includes the phrase "buoyant uplift" specifically addressed by the district court and found to require at least neutral buoyancy of the overall IOL.

B.

Issue Preclusion

Under the doctrine of issue preclusion, also called collateral estoppel, a judgment on the merits in a first suit precludes relitigation in a second suit of issues actually litigated and determined in the first suit. *Lawlor v. National Screen Serv. Corp.*, 349 U.S. 322, 326, 99 L. Ed. 1122, 75 S. Ct. 865 (1955). Issue preclusion, as distinguished from claim preclusion, does not include any requirement that the [**16] claim (or cause of action) in the first and second suits be the same. Rather, application of issue preclusion centers around whether an issue of law or fact has been previously litigated. *International Order of Job's Daughters v. Lindeburgh & Co.*, 727 F.2d 1087, 1091, 220 USPQ 1017, 1019 (Fed. Cir. 1984). The underlying rationale of the doctrine of issue preclusion is that a party who has litigated an issue and lost should be bound by that decision and cannot demand that the issue be decided over again. *Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566, 1569, 221 USPQ 394, 397 (Fed. Cir. 1983).

Issue preclusion is appropriate only if: (1) the issue is identical to one decided in the first action; (2) the issue was actually litigated in the first action; (3) resolution of the issue was essential to a final judgment in the first action; and (4) plaintiff had a full and fair opportunity to litigate the issue in the first action. *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 702, 218 USPQ 965, 967 (Fed. Cir. 1983), cert. denied, 464 U.S. 1042, 79 L. Ed. 2d 171, 104 S. Ct. 707 (1984). [**17] We address these conditions seriatim.

(1) Identical issue

The general principle of [issue preclusion] . . . is that a right, question or fact distinctly put in issue . . . cannot be disputed in a second suit. *Southern Pac. R.R. v. U.S.*, 168 U.S. 1, 48, 42 L. Ed. 355, 18 S. Ct. 18 (1897). Where an appellate court has decided a specific question, the doctrine of issue preclusion should normally prevent relitigation of that issue. *In re Herr*, 54 C.C.P.A. 1315,

377 F.2d 610, 619, 153 USPQ 548, 555 (CCPA 1967) (Rich, J. concurring).

Difficulty sometimes arises, however, in delineating the issue on which litigation is, or is not, foreclosed. The problem involves a balancing of important interests: on the one hand a desire not to deprive a litigant of an adequate day in court; on the other hand, a desire to prevent repetitious litigation of what is essentially the same dispute. Restatement (Second) of Judgments § 27 comment c (1980).

[*1466] The district court, in its infringement analysis, explicitly interpreted the phrase "at least a degree of buoyant uplift" in independent [**18] claims 10 and 21. This phrase is also in reissue claim 15 at issue here. In making this determination, the district court also interpreted the phrase "buoyant uplift" recited in independent claims 14, 19, and 20. The district court specifically decided that "buoyant uplift" in the claims requires at least neutral buoyancy based on its review of the claim language, specification, prosecution history, and expert testimony. *Freeman*, 693 F. Supp. at 144, 9 USPQ2d at 1121. This court affirmed the trial court's interpretation.

During reexamination, Dr. Freeman admittedly amended the reissue claims to avoid this interpretation of the claims. The Examiner, in rejecting the claims under section 305, predicated the rejection on interpretation of the phrase "buoyant uplift." Additionally, the Board, in upholding the rejection, based its decision on the district court's "finding and holding with respect to the limitation 'at least a degree of buoyant uplift.'" It is eminently clear, therefore, that the identical issue, the interpretation of the phrase "buoyant uplift," presented in the district court litigation is also present in the reexamination [**19] proceeding.

(2) Actually decided

The requirement that the issue have been actually decided is generally satisfied if the parties to the original action disputed the issue and the trier of fact decided it. *Mother's Restaurant*, 723 F.2d at 1569, 221 USPQ at 397, (quoting *Continental Can Co. v. Marshall*, 603 F.2d 590, 596 (7th Cir. 1979)). See Restatement (Second) of Judgments § 27 comment d (1980).

The parties to the district court action disputed the meaning of the phrase "buoyant uplift." In fact, the district court commented that most of the trial involved interpreting this phrase. *Freeman*, 693 F. Supp. at 142, 9 USPQ2d at 1119. The district court also resolved the meaning of this claim phrase and did so, as explained above, in favor of 3M. Therefore, it is clear that the issue - the meaning of the phrase "buoyant uplift" - was actually decided.

(3) Essential to the judgment

In order to give preclusive effect to a particular finding in a prior case, that finding must have been necessary to the judgment rendered in the previous action. *Montana v. United States*, 440 U.S. 147, 153, 59 L. Ed. 2d 210, 99 S. Ct. 970 (1979); [**20] Restatement (Second) of Judgments § 27 comment j (1980). The purpose of this requirement is to prevent the incidental or collateral determination of a nonessential issue from precluding reconsideration of that issue in later litigation. *Mother's Restaurant*, 723 F.2d at 1571, 221 USPQ at 398.

In the context of claim interpretation, this court has held that

judicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement.

A.B. Dick Co., 713 F.2d at 704, 218 USPQ at 968. This court has warned, however, that statements regarding the scope of patent claims made in a former adjudication should be narrowly construed. *Id.* Additionally, to apply issue preclusion to a claim interpretation issue decided in a prior infringement adjudication, "the interpretation of the claim had to be the reason for the loss [in the prior case] on the issue of infringement." *Jackson Jordan, Inc. v. Plasser American Corp.*, 747 F.2d 1567, 1577, 224 USPQ 1, 8 (Fed. Cir. 1984). [**21]

As explained above, the issue, interpretation of the phrase "at least a degree of buoyant uplift," was actually decided in the district court. Additionally, interpretation of that phrase to require at least neutral buoyancy of the IOL device was necessary to the holding of noninfringement. The district court held that based on its interpretation of this phrase, there was no infringement by 3M of reissue claims 10, 11, 20, and 21. In fact, the district court indicated that if this phrase was not interpreted in that manner, all models of 3M's IOLs would infringe claims 20 and 21, while all but one would infringe claims 10 and 11. Thus, as required [**1467] under *Jackson Jordan*, the interpretation of the phrase "buoyant uplift" was the reason for Dr. Freeman's loss on the issue of infringement of the reissue claims in the district court. Thus, the interpretation of the phrase "buoyant uplift" was necessary to the district court's judgment.

Moreover, this is not a case where the second proceeding, the reexamination, involving the same issue

was unforeseen. Because the proceedings in the PTO were stayed pending the completion of the district court action, Dr. Freeman should have been aware [**22] of the possibility that the Board would accord preclusive effect to the district court findings. *Mother's Restaurant*, 723 F.2d at 1572, 221 USPQ at 399.

(4) Full and fair opportunity to litigate

To apply issue preclusion, the party against whom the estoppel is being asserted must have been accorded a full and fair opportunity to litigate in the prior court proceeding the very issue he now seeks to relitigate. *Jackson Jordan*, 747 F.2d at 1574, 224 USPQ at 7. There is no requirement that the parties be the same in both instances; preclusion may be invoked in a case involving the same plaintiff and either a party or a non-party to the first action. *Blonder-Tongue Lab., Inc. v. University of Ill. Found.*, 402 U.S. 313, 28 L. Ed. 2d 788, 91 S. Ct. 1434 (1971); *Jackson Jordan*, 747 F.2d at 1575, 224 USPQ at 6. The Supreme Court has stated that relitigation of issues is warranted, however, if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in the prior [**23] litigation. *Montana*, 440 U.S. at 164 & n.11 (1979).

Dr. Freeman does not contend that he did not have a full and fair opportunity to litigate the scope of the reissue claims in the district court proceedings. Indeed, the record before us indicates that he had and fully took advantage of his opportunity to have this issue decided. Additionally, we have no reason to doubt the quality, extensiveness, or fairness of the procedures followed in the district court. To the contrary, the fact that this court on appeal affirmed the district court's conclusions regarding claim interpretation and noninfringement strongly suggests that the district court proceedings were not deficient.

We accordingly conclude that all of the requirements for the application of issue preclusion have been met. We therefore turn our attention to whether the doctrine should be applied here.

Exceptions to application of issue preclusion

The doctrine of issue preclusion is premised on principles of fairness. *Blonder-Tongue*, 402 U.S. at 349. Thus, a court is not without some discretion to decide [**24] whether a particular case is appropriate for application of the doctrine. *A.B. Dick*, 713 F.2d at 702, 218 USPQ at 967. Accordingly, under certain circumstances, where all of the requirements of issue preclusion have been met, the doctrine will not be applied. Preclusion will not be effected when the quality or effectiveness of the procedures followed in the two suits differ. For instance, issue preclusion will not be applied if the scope of review of the first action is very

narrow. Restatement (Second) of Judgments § 28 comment d (1980).

In this vein, Dr. Freeman infers that this court may not have agreed with the district court on the merits but affirmed that its finding of noninfringement was not clearly erroneous. Dr. Freeman thus implies that review of the district court's infringement decision by this court was narrow thereby implicating the exception to estoppel set out above. However, we note that though this court found the district court's infringement determination was not clearly erroneous, the underlying issue of claim interpretation, being a question of law, was reviewed *de novo*. *SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118, 227 USPQ 577, 596 (Fed. Cir. 1985) [**25] (in banc). Thus, no narrower standard was applied to the district court's determination than was applied in the instant case. The exception to issue preclusion based on such circumstances is thus not implicated.

In addition to not applying the doctrine of issue preclusion as outlined above, issue preclusion may be inappropriate in subsequent litigation with others when:

[*1468] (2) The forum in the second action affords the party against whom preclusion is asserted procedural opportunities in the presentation and determination of the issues that were not available in the first action and could likely result in the issue being differently determined.

(8) Other compelling circumstances make it appropriate that the party be permitted to relitigate the issue.

Restatement (Second) of Judgments § 29 (1980).

Dr. Freeman argues that the PTO offers procedural opportunities during reexamination that were unavailable to him in the prior litigation, namely, the opportunity to amend his claims "in response to a decision adverse to the patentability of a claim of a patent." under 35 U.S.C. § 305. Thus, according to Dr. Freeman, the availability of amending [**26] the reissue claims during reexamination could likely result in the issue sought to be precluded being decided differently. That is, by amending the claims, Dr. Freeman's claims could be interpreted differently to include less than neutral buoyancy IOLs.

Dr. Freeman is quite correct that the amended reexamination claims could be interpreted differently than the reissue claims. That is the point. However,

contrary to Dr. Freeman's assertion, his ability to amend the claims during reexamination was not unfettered and according to the statute could not broaden the scope of the claims.

The reexamination statute provides that anyone at any time may request reexamination of any claim of a patent based upon prior art patents and printed publications. 35 U.S.C. § 301, 302. See also House Report No. 66-1307, 96th Cong., 2d Sess. (1980). The function of reexamination is to increase the reliability of patents thought to be of doubtful validity. *In re Etter*, 756 F.2d 852, 225 USPQ 1 (Fed. Cir.) (in banc), cert. denied, 474 U.S. 828, 88 L. Ed. 2d 72, 106 S. Ct. 88 (1985). [**27] That function is reflected in 35 U.S.C. § 303 which requires the Commissioner to determine that there is a substantial new question of patentability before a reexamination proceeding can be started. *Etter*, 756 F.2d at 857, 225 USPQ at 5. Thus, the substantial new question of patentability is the focal point of every reexamination.

In *Etter*, this court noted that the patentee may amend the claims during reexamination and that such opportunity distinguishes litigation from reexamination. *Etter*, 756 F.2d at 857, 225 USPQ at 5. See also *In re Yamamoto*, 740 F.2d 1569, 222 USPQ 934 (Fed. Cir. 1984). However, the ability of a patentee to amend claims during reexamination must be seen in light of the fundamental purpose of reexamination -- the determination of validity in light of a substantial new question of patentability. Thus, amendment of claims during reexamination is limited to amendment in light of prior art raising a substantial new question of patentability. *In re Yamamoto*, 740 F.2d at 1572, 222 USPQ at 936. [**28] n5

n5 Claims may also be amended to comply with 35 U.S.C. § 112 during reexamination. *Etter*, 756 F.2d at 856, 221 USPQ at 4.

Dr. Freeman has never argued that the amendments to the last clause of each of the independent reissue claims were made to distinguish those claims from any prior art. Rather, during reexamination, Dr. Freeman candidly stated that "the claims have been amended in this proceeding consistent with [his] amendments and purpose in filing the reissue application but now with the benefit and knowledge as to how a reader could misconstrue [his] intent." It is clear that the amendments to the last clause of each of the independent reissue claims had nothing to do with a substantial new question of patentability.

Therefore, although we must agree with Dr. Freeman that he had the ability to amend his claims during reexamination which was not available to him in district court, this difference does not rise to the level of [**29] a procedural difference precluding application of issue preclusion. The reason is that Dr. Freeman never had the option of amending his claims during reexamination so that they [*1469] would be "consistent with [his] amendments and purpose in filing the reissue application." We therefore hold that application of the doctrine of issue preclusion is not precluded on the basis of any procedural opportunity available in the PTO and not available in the district court.

Dr. Freeman also argues that other compelling circumstances make it appropriate that he be permitted to relitigate the issue of the scope of the reissue claims during reexamination. Specifically, Dr. Freeman argues that because the district court's interpretation of the scope of the claims was "patently incorrect," application of issue preclusion here would be inappropriate. See Restatement (Second) of Judgments § 29 comment j (1980) and *Blonder-Tongue*, 402 U.S. at 333-34. We are

not convinced that the district court's decision was patently incorrect. Indeed, a unanimous panel of this court expressly held that the district court's claim interpretation was not erroneous. [**30] Moreover, the Board's disagreement with the district court's determination does not render the district court's determination incorrect.

CONCLUSION

Because Dr. Freeman had a full and fair opportunity to litigate the identical issue of the meaning of the term "buoyant uplift," an issue actually decided in the district court and essential to the finding of noninfringement in that action, application of issue preclusion is appropriate here. Additionally, because there are no circumstances precluding application of the doctrine, we agree with the Board that the claims are limited to IOLs with at least neutral buoyancy. As the amendments to claims 10, 14, 15, 19, 20, and 21 impermissibly broaden the scope of these claims, we affirm the rejection under 35 U.S.C. § 305. The decision of the Board is affirmed.

AFFIRMED

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2003 U.S. App. LEXIS 10407, *

MARLOW INDUSTRIES, INC., Plaintiff-Appellant, v. IGLOO PRODUCTS CORP., Defendant-Appellee.

02-1386

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2003 U.S. App. LEXIS 10407

May 23, 2003, Decided

NOTICE: [*1] THIS DECISION WAS ISSUED AS UNPUBLISHED OR NONPRECEDENTIAL AND MAY NOT BE CITED AS PRECEDENT. PLEASE REFER TO THE RULES OF THE FEDERAL CIRCUIT COURT OF APPEALS FOR RULES GOVERNING CITATION TO UNPUBLISHED OR NONPRECEDENTIAL OPINIONS OR ORDERS.

PRIOR HISTORY: Marlow Indus. v. Igloo Prods. Corp., 2002 U.S. Dist. LEXIS 5290 (N.D. Tex., Mar. 28, 2002)

DISPOSITION: Affirmed.

CASE SUMMARY

PROCEDURAL POSTURE: Plaintiff patent owner sued defendant manufacturer in the United States District Court for the Northern District of Texas for patent infringement. The district court granted summary judgment for the manufacturer, finding the patent unenforceable. The patent owner appealed.

OVERVIEW: The patent at issue covered picnic boxes. After the district court construed a claim of the patent to require that the picnic box be capable of both heating and cooling, the manufacturer asked the United States Patent and Trademark Office (PTO) to reexamine the patent. The owner attempted to amend the patent by adding claims including a claim covering a picnic box that cooled or heated. The examiner rejected the added claims, but the Board of Patent Appeals and Interferences reversed as to the "cools or heats" claim. The district court found that the owner committed inequitable conduct in failing to disclose to the PTO the district court's claim construction, and the appellate court agreed. Merely advising the examiner of the pending infringement action did not act to disclose the claim construction. The district court's construction was material to the question of whether the "cools or heats" claim impermissibly enlarged the patent's scope; the Board's decision on the issue was immaterial to the owner's duty to disclose. In light of the binding nature of the district court's construction, there was no question of fact concerning whether the owner intended to deceive the PTO.

OUTCOME: The district court's judgment was affirmed.

CORE TERMS: patent, examiner, reexamination, intent to deceive, materiality, picnic, box, genuine issue of material fact, inequitable conduct, infringement, cool, summary judgment, heat, heating, cooling, unenforceable, amend, infringe, withheld, granting summary judgment, mislead, reissue, duty, failure to submit, matter of law, prior claim, impermissibly, infringed, correctly, disputed

LexisNexis (TM) HEADNOTES - Core Concepts - ♦ Hide Concepts

Civil Procedure > Summary Judgment > Summary Judgment Standard

HN1 ⚡ An appellate court reviews a district court's grant of summary judgment de novo, with all justifiable factual inferences being drawn in favor of the party opposing the motion. Summary judgment is appropriate where there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). Whether a given factual dispute requires submission to a jury must be guided by the substantive evidentiary standards that apply to the case. It is the substantive law's identification of which facts are critical and which facts are irrelevant that governs whether a genuine issue of material fact exists.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN2 ⚡ It is well settled that patent applicants are required to prosecute patent applications with candor, good faith, and honesty. This duty likewise applies to reexamination proceedings. 37 C.F.R. § 1.555 (2002). A breach of this duty can take several forms, including the failure to disclose material information. Further, a breach of this duty, when coupled with an intent to deceive or mislead the United States Patent and Trademark Office, constitutes inequitable conduct, which, when proven, renders the patent unenforceable.

Patent Law > Inequitable Conduct > Burdens of Proof

HN3 ⚡ To establish a patent owner's inequitable conduct, an infringement defendant must show by "clear and convincing evidence" that the owner failed to disclose material information with intent to deceive the United States Patent and Trademark Office. Once the materiality of the information and the owner's intent to mislead have been established, the district court must weigh them to determine whether the equities warrant a conclusion that inequitable conduct occurred. Moreover, when balanced against high materiality, the showing of intent can be proportionally less.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN4 ⚡ Informing a patent examiner of a pending infringement action is not commensurate with bringing to the examiner's attention a district court's prior claim construction of the patent or disclosing the court orders embodying that construction.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN5 ⚡ In determining inequitable conduct, materiality is not limited to prior art but embraces any information that a reasonable examiner would be substantially likely to consider important in deciding whether to allow an application to issue as a patent.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN6 ⚡ The standard to be applied in determining whether a reference is "material" is not whether the particular examiner of the patent application at issue considered the reference to be important; rather, it is that of a "reasonable examiner." Nor is a reference immaterial simply because the claims are eventually deemed by an examiner to be patentable thereover.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN7 A patent may be valid and yet be rendered unenforceable due to inequitable conduct.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN8 In determining inequitable conduct in a patent application, intent to mislead does not require direct evidence, and is typically inferred from the facts. Intent may be inferred when a patent applicant knew, or should have known, that withheld information could be material to the United States Patent and Trademark Office's consideration of the patent application. Intent is most often proven by a showing of acts the natural consequences of which are presumably intended by the actor.

Patent Law > Inequitable Conduct > Materiality, Scierter & Effect

HN9 In determining inequitable conduct in a patent application, a mere denial of an intent to deceive is not sufficient where a patentee faces a high level of materiality and proof that it knows or should have known of that materiality.

JUDGES: Before LOURIE, LINN, and PROST, Circuit Judges.

OPINIONBY: PROST

OPINION:

PROST, Circuit Judge.

Marlow Industries, Inc. ("Marlow") appeals from the decision of the United States District Court for the Northern District of Texas granting summary judgment to Igloo Products Corp. and holding Marlow's United States Patent No. 4,726,193 ("the '193 patent"), as amended by Reexamination Certificate B1 4,726,193 ("the first reexamination") and Reexamination Certificate US 4,726,193 C2 ("the final reexamination") unenforceable due to Marlow's inequitable conduct before the United States Patent and Trademark Office ("PTO"). Marlow Indus. v. Igloo Prods. Corp., 2002 U.S. Dist. LEXIS 5290, No. 396-CV-2668-P, 2002 WL 485698 (N.D. Tex. Mar. 28, 2002). Because the district court did not commit error in granting Igloo's motion for summary judgment, we affirm the judgment.

I

The '193 patent covers picnic boxes. Independent claim 1 reads in pertinent part "[a] [*2] refrigerator/food warmer picnic box apparatus or the like comprising . . . means . . . for selectively heating and cooling and circulating the air in the food compartment picnic box" (emphasis added). Marlow filed an infringement action against Igloo in September 1996 and cross-moved for partial summary judgment on September 29, 1997, claiming that, as a matter of law, several of the contested picnic boxes infringed the patent.

In an opinion dated April 3, 1998, the district court concluded, "it is obvious that the plain meaning of Claim 1 requires that the picnic box be capable of both 'heating and cooling.'" Both parties moved the court to reconsider its April 3 order. On September 1, 1998, the district court entered an order denying Marlow's motion for reconsideration, but granting Igloo's motion in part by vacating its prior ruling that some of the accused picnic boxes literally infringed the '193 patent, concluding rather that none of the accused products literally infringed the patent. The court left open several issues regarding infringement under the doctrine of equivalents.

In June 1998, Igloo requested the PTO to reexamine the '193 patent to consider prior [*3] art that was not previously considered. Marlow subsequently moved to stay further action in the district court until completion of the reexamination proceedings. Igloo's request for the final reexamination brought to the examiner's attention the pending infringement litigation in the district court between Marlow and Igloo, and included a copy of Marlow's brief in support of its September 29, 1997, motion for partial summary judgment. During the reexamination, Marlow attempted to amend the patent by adding claims 4 and 5. These claims included language that covers a picnic box, which "cools or heats" (independent claim 4) and which "only cools" (claim 5, depending from claim 4). The examiner rejected these claims pursuant to 35 U.S.C. § 305, which prohibits expanding the scope of the claimed invention during a reexamination.

Marlow then attempted for a second time to amend the patent by adding claims 6 and 7. These claims, both depending from claim 1, included language covering a picnic box, which "heats and circulates only warm air" (claim 6) and which "cools and only circulates cooled air" (claim 7). The examiner again rejected these claims as an attempt [*4] to impermissibly broaden the scope of the original patent. Marlow appealed the examiner's rejection of its claims, including the rejection of its four proposed amendments, to the Board of Patent Appeals and Interferences ("Board"). The Board affirmed the examiner's rejection of proposed claims 5-7. However, the Board reversed the examiner's rejection of claim 4 on the basis that it, like preexisting claim 1, includes the "selectively heating and cooling" language and, thus, cannot be construed as enlarging the scope of the claimed invention.

In August 2001, Igloo moved for summary judgment in the district court, in which the infringement action was pending, alleging that Marlow had committed inequitable conduct by failing to disclose to the examiner during the final reexamination of the '193 patent the court's prior claim construction of that patent. The district court determined that Marlow had failed during the reexamination to provide the examiner with the court's April 3 and September 1, 1998 orders, that these orders were material to the reexamination proceeding, and that Marlow knew or should have known that a patent examiner would have found such information material. The [*5] district court also found that Marlow failed to submit to the examiner its motion for reconsideration of the court's April 3 order, but the court did not analyze Marlow's inequitable conduct with regard to its failure to submit this document. Based upon these findings, the court concluded that Marlow engaged in inequitable conduct before the PTO. The district court therefore granted Igloo's motion for summary judgment and declared all claims of the '193 patent unenforceable.

Marlow filed a timely appeal and we have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

II

HN1 We review the district court's grant of summary judgment de novo, with all justifiable factual inferences being drawn in favor of the party opposing the motion. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986). Summary judgment is appropriate where there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. See Fed. R. Civ. P. 56(c). Under Anderson, whether a given factual dispute requires submission to a jury must be guided by the substantive evidentiary standards that [*6] apply to the case. 477 U.S. at 255. It is the substantive law's identification of which facts are critical and which facts are irrelevant that governs whether a genuine issue of material fact exists. Id. at 247-48.

HN2 It is well settled that patent applicants are required to prosecute patent applications "with candor, good faith, and honesty." Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178, 33 USPQ2d 1823, 1826 (Fed. Cir. 1995). This duty likewise applies to reexamination proceedings. 37 C.F.R. § 1.555 (2002). A breach of this duty can take several forms, including the failure to disclose material information. Molins, 48 F.3d at 1178, 33 USPQ2d at

1826. Further, a breach of this duty, when coupled with an intent to deceive or mislead the PTO, constitutes inequitable conduct, which, when proven, renders the patent unenforceable. Id. at 1178, 33 USPQ2d at 1827.

HN3 To establish Marlow's inequitable conduct, Igloo must show by "clear and convincing evidence" that Marlow failed to disclose material information with intent to deceive the PTO. Kingsdown Med. Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867, 872, 9 USPQ2d 1384, 1389 (Fed. Cir. 1988); **[*7]** FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415, 5 USPQ2d 1112, 1115 (Fed. Cir. 1987). Once the materiality of the information and Marlow's intent to mislead have been established, the district court must "weigh them to determine whether the equities warrant a conclusion that inequitable conduct occurred." Molins, 48 F.3d at 1178, 33 USPQ2d at 1827. Moreover, when balanced against high materiality, the showing of intent can be proportionally less. Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp., 267 F.3d 1370, 1381, 60 USPQ2d 1482, 1488 (Fed. Cir. 2001).

On appeal, Marlow maintains that the district court erred in granting summary judgment to Igloo because it raised genuine issues of material fact. According to Marlow, the district court impermissibly weighed the evidence regarding its failure to disclose information to the PTO, the materiality of the allegedly withheld information, and Marlow's intent to deceive the PTO. Igloo counters that Marlow has no additional evidence to offer that would warrant changing the district court's determination or that would otherwise merit further proceedings. After drawing all justifiable inferences **[*8]** in favor of Marlow, we conclude that there are no genuine issues of material fact with regard to Marlow's inequitable conduct and Igloo is entitled to judgment as a matter of law.

A

Marlow first argues that a genuine issue of material fact exists with regard to whether it withheld any information relating to the district court action from the PTO during the final reexamination. In this regard, Marlow notes that it advised the examiner that the '193 patent was the subject of an infringement action pending before the district court, the examiner was provided with copies of the particular documents relating to those proceedings which Igloo believed relevant to the final reexamination, and the entire record was made available to the examiner by Marlow's and Igloo's disclosures.

Igloo maintains that Marlow never once apprised the examiner of the substance of the district court's claim construction of the '193 patent or even of the fact that the court had construed the patent. Igloo specifically contends that the district court correctly found that Marlow failed to submit the three disputed documents to the examiner.

The district court did not err in concluding that there was no genuine **[*9]** issue of material fact with respect to Marlow's failure to submit copies of the disputed documents to the examiner during the final reexamination. In its responses to Igloo's Requests for Admission Nos. 92-94, Marlow admitted that at the time of the issuance of the final reexamination, the file wrapper did not include copies of these documents. We reject Marlow's argument that a genuine issue of material fact exists as to whether it withheld any information relating to the infringement action from the PTO. **HN4** Informing the examiner of the pending infringement action is not commensurate with bringing to the examiner's attention the district court's prior claim construction of the patent or disclosing the court orders embodying this construction. See Rohm & Haas Co. v. Crystal Chem. Co., 722 F.2d 1556, 1572-73, 220 USPQ 289, 302 (Fed. Cir. 1983) (concluding that a presumption that an examiner was able to find, with his expertise and adequate time, the critical data when he was presented with a "mountain of largely irrelevant data" ignores the real world conditions under which examiners work). Moreover, the only document from the infringement litigation submitted to the **[*10]** examiner was Marlow's motion for partial summary judgment filed on September 25, 1997, which was included as an exhibit to Igloo's request for reexamination. This document,

however, was filed in the district court more than six months prior to the court's initial construction of the '193 patent and, thus, had no bearing on the scope of the claims at issue during the reexamination proceedings.

B

Marlow next argues that a genuine issue of material fact exists with regard to the materiality of the district court's claim construction orders. ^{HNS} "Materiality is not limited to prior art but embraces any information that a reasonable examiner would be substantially likely to consider important in deciding whether to allow an application to issue as a patent." GFI, Inc. v. Franklin Corp., 265 F.3d 1268, 1273, 60 USPQ2d 1141, 1143 (Fed. Cir. 2001) (emphasis in original); 37 C.F.R. § 1.56(b) (2002).

Marlow contends that in reaching its finding that its previous orders were material to the examiner's final reexamination of the '193 patent, the district court erroneously assumed that: (1) the construction of claim 1, and thus claim 4, applied by the [*11] Board was in conflict with the district court's construction of claim 1; and (2) Marlow was attempting during the reexamination to avoid the district court's requirement that to infringe the '193 patent an accused device had to be capable of both heating and cooling. According to Marlow, it argued to the examiner that claim 1 could not require both "simultaneous" heating and cooling because that would be physically impossible, which is not inconsistent with the district court's interpretation of the claim.

Igloo responds that the district court correctly concluded that the disputed documents were material to the final reexamination because: (1) they bore directly on the scope of the claims that Marlow attempted to amend; and (2) Marlow's interpretation of the patent asserted before the examiner was inconsistent with the district court's construction of the patent and Marlow's acquiescence to that construction.

The district court did not err in concluding that there was no genuine issue of material fact with respect to the materiality of the April 3 and September 1, 1998, orders to the final reexamination from the standpoint of a reasonable examiner reviewing Marlow's proposed amendments. [*12] Faced with Marlow's attempts to amend claim language in the '193 patent, the examiner had to first construe the scope of the claims, including the specific language covering picnic boxes that are capable of both "heating and cooling," to determine whether the proposed "cools or heats" language would impermissibly enlarge the scope of the patent. See 35 U.S.C. § 305(a) (2002). In addition, the district court's two previous orders construing the '193 patent and concluding that picnic boxes that only cooled did not infringe the patent were binding on the examiner under the doctrine of issue preclusion. See In re Freeman, 30 F.3d 1459, 1466-69, 31 USPQ2d 1444, 1448-51 (Fed. Cir. 1994) (concluding that the Board was bound by the district court's prior interpretation of the reissue claims under the doctrine of issue preclusion). Thus, a reasonable examiner would have been substantially likely to consider these two orders important in deciding whether to allow the amendments to issue. ★★

Moreover, contrary to Marlow's assertion, whether or not the Board, applying the same construction of claim 1 as the district court, found claim 4 equivalent in [*13] scope to claim 1 is irrelevant to the materiality inquiry. This court has articulated the materiality criterion as follows:

^{HNS} "The standard to be applied in determining whether a reference is "material" is not whether the particular examiner of the application at issue considered the reference to be important; rather, it is that of a "reasonable examiner." Nor is a reference immaterial simply because the claims are eventually deemed by an examiner to be patentable thereover.

Molins, 48 F.3d at 1179, 33 USPQ2d at 1828 (citation omitted); Perseptive Biosystems, Inc. v. Pharmacia Biotech, Inc., 225 F.3d 1315, 1322, 56 USPQ2d 1001, 1006 (Fed. Cir. 2000) (stating that ^{HNT} a patent may be valid and yet be rendered unenforceable due to inequitable conduct). Thus, that the Board's interpretation of the '193 patent may have been consistent with the district court's previous construction does not eviscerate the materiality of the previous orders from the viewpoint of a reasonable examiner in the first instance. Here, a reasonable examiner reviewing Marlow's proposed amendments would have considered the district court's prior construction of that patent [*14] important.

C

Lastly, Marlow argues that a genuine issue of material fact exists with regard to Marlow's intent to deceive the PTO. ^{HNB} Intent to mislead does not require direct evidence, and is typically inferred from the facts. GFI, 265 F.3d at 1274, 60 USPQ2d at 1144. Intent may be inferred when a patent applicant knew, or should have known, that withheld information could be material to the PTO's consideration of the patent application. Critikon, Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253, 1256-57, 43 USPQ2d 1666, 1668-69 (Fed. Cir. 1997); Brasseler, 267 F.3d at 1375-76, 60 USPQ2d at 1484; Merck & Co. v. Danbury Pharmacal, Inc., 873 F.2d 1418, 1422, 10 USPQ2d 1682, 1686 (Fed. Cir. 1989) (stating that intent is most often proven by a showing of acts the natural consequences of which are presumably intended by the actor).

Marlow argues that a factual dispute exists with regard to its alleged intent to deceive the PTO. According to Marlow, the district court found intent by incorrectly assuming that claim 4 is broader than claim 1 and by disregarding the affidavit of Marlow's attorney denying an [*15] intent to deceive.

Igloo argues that the district court correctly concluded that Marlow acted with intent to deceive the PTO. According to Igloo, Marlow knew, or should have known that the examiner would have considered the district court's claim construction of the '193 patent (specifically its holding that cool only or heat only devices cannot infringe the '193 patent) material to Marlow's attempts to add claims directed to cool only or heat only devices. Igloo further contends that the affidavit of Marlow's counsel does not create a genuine issue of fact as to Marlow's intent because it consists of mere denials of an intent to deceive.

The district court did not err in concluding that there was no genuine issue of material fact with respect to Marlow's intent to deceive the PTO by failing to submit the district court's prior orders construing the claims of the '193 patent when it proposed amended language during the final reexamination. The same attorney represented Marlow before the district court in this case and before the PTO during the final reexamination proceedings. See Critikon, 120 F.3d at 1257, 43 USPQ2d at 1669 (noting that the patent counsel who were [*16] handling the reissue proceedings were keenly aware of the ongoing district court litigation and the issues involved prior to the resolution of the reissue proceedings). Yet, despite the district court's prior holding that a picnic box had to both heat and cool to infringe the '193 patent, Marlow proposed claims using the disjunctive language of "cools or heats." See In re Freeman, 30 F.3d at 1465, 31 USPQ2d at 1448 (stating that "given the interpretation of the district court during the infringement litigation, it is clear that the amendments to the independent claims during reexamination attempted an end run around the [district court's] interpretation"). Under these circumstances and in light of the binding nature of the district court's prior claim construction, Marlow's failure to submit the April 3 and September 1, 1998, orders leads to a finding that Marlow intended to deceive the PTO. As the district court recognized when considering Igloo's inequitable conduct motion, Marlow should have known that a patent examiner would have found the two prior court orders considering the construction of the '193 patent material to the reexamination. Indeed, during

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the [*17] pendency of the reexamination, Igloo's counsel twice reminded Marlow by letter of its duty to disclose the district court's claim construction to the examiner. The only evidence Marlow offers to negate a finding of an intent to deceive is an affidavit from its counsel denying such deceitful intent. However, ^{HNS} a mere denial of an intent to deceive is not sufficient where a patentee faces a high level of materiality and proof that it knows or should have known of that materiality. Critikon, 120 F.3d at 1257, 43 USPQ2d at 1669 (citing FMC Corp., 835 F.2d at 1415, 5 USPQ2d at 1116).

CONCLUSION

In sum, we conclude that viewing the evidence in the light most favorable to Marlow, there is no genuine issue of material fact as to the materiality of the district court's April 3 and September 1, 1998, orders to the final reexamination of the '193 patent and Marlow's intent to deceive the PTO. Furthermore, the district court did not abuse its discretion in holding the '193 patent unenforceable. Accordingly, we affirm the district court's order granting summary judgment of invalidity to Igloo.

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